



Terry Smith
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June 3, 2008

By Electronic Mail

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW.
Washington, DC 20551
regs.comments@federalreserve.gov

Re: Comments Regarding Docket No. OP-1310; Policy on Payments System
Risk; Daylight Overdraft Posting Rules

Dear Ms. Johnson:

The Federal Home Loan Bank of Dallas ("FHLB Dallas") appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's (the "Board") policy statement on changing the posting time for commercial and government automated clearinghouse ("ACH") debit transfers that are processed by the Federal Reserve Banks' FedACH service from 11:00 a.m. eastern time to 8:30 a.m. eastern time (the "Policy Statement"), which was published in the Federal Register on March 7, 2008. In the Policy Statement, the Board requested comment on, among other things, what costs would institutions expect to incur to fund their Federal Reserve accounts by 8:30 a.m. for ACH debit transfers, particularly if the institutions did not want or were ineligible to incur daylight overdrafts. This letter, which does not necessarily reflect the views of the rest of the Federal Home Loan Bank System, addresses that issue.

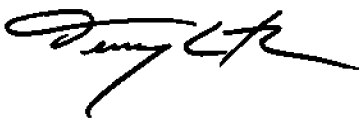
FHLB Dallas is one of twelve Federal Home Loan Banks (each, individually, an "FHLBank" and collectively, the "FHLBanks") that Congress created in 1932 with the Federal Home Loan Bank Act (the "FHLB Act"). Each FHLBank is a cooperative and is owned by its member financial institutions. Entities eligible for membership in an FHLBank include federally-insured commercial banks, savings banks, savings and loan associations, and credit unions, as well as insurance companies. The primary purpose of the FHLBank System is to provide a source of long-term liquidity for FHLBank members. The FHLBanks do this primarily by making advances (loans), which the FHLB Act requires to be fully secured, to their members.

FHLB Dallas also provides its members with a variety of correspondent banking services. These services include wire transfer services, reserve pass-through services with the applicable Federal Reserve Bank, and settlement services with the Federal Reserve Banks. FHLB Dallas settles ACH items, direct deposits, treasury, tax and loan charges, coin and currency, and other transactions conducted with or through any Federal Reserve Bank. Approximately, \$30 million to \$40 million of ACH debit transfers are posted to FHLB Dallas's Federal Reserve Bank account each day.

As the Board discussed in its Policy Statement, the proposed change in the posting time for ACH debit transfers will require institutions that are ineligible for intraday credit to procure additional funding to avoid incurring daylight overdrafts. FHLB Dallas is one of the institutions that are ineligible for intraday credit. Therefore, changing the posting time for ACH debit transfers from 11:00 a.m. eastern time to 8:30 a.m. eastern time will require FHLB Dallas to incur costs of approximately \$600,000 to \$800,000 per year assuming the current cost of Federal Funds of two percent per annum on \$30 million to \$40 million of funding.

The Board concludes in its Policy Statement that the benefits of changing the posting time for ACH debit transfers in total outweigh the increase in funding costs for the estimated thirty-five institutions that are ineligible for intraday credit. As described in the background information above, FHLB Dallas is a cooperative and is owned by its member financial institutions; therefore the additional costs incurred by FHLB Dallas to fund its Federal Reserve Bank account by 8:30 a.m. eastern time will in fact be borne by FHLB Dallas's more than 900 members. FHLB Dallas urges the Board to reconsider its conclusion in light of the significant costs to so many financial institutions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Terry Smith', with a stylized flourish at the end.

Terry Smith
President and CEO